

NORTH CENTRAL DISTRICT HEALTH DEPARTMENT

FINANCIAL STATEMENTS

June 30, 2013

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITORS' REPORT**

NORTH CENTRAL DISTRICT HEALTH DEPARTMENT

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North Central District Health Department
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES,
and CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
For the year ended June 30, 2013

	<u>General Fund</u>	<u>Adjustments (Note K)</u>	<u>Statement of Activities 2013</u>	<u>Statement of Activities 2012</u>
Revenues:				
Operating grants	\$ 1,023,591	\$ -	\$ 1,023,591	\$ 1,121,458
Miscellaneous income	17,871	-	17,871	7,089
Interest income	812	-	812	853
Total revenues	<u>1,042,274</u>	<u>-</u>	<u>1,042,274</u>	<u>1,129,400</u>
Expenditures/expenses:				
General & administrative	346,345	-	346,345	316,828
Emergency preparedness	223,001	-	223,001	254,970
PHONE program	50,462	-	50,462	36,917
Environmental health	51,213	-	51,213	56,815
Substance abuse	135,494	-	135,494	213,459
Public health education	66,861	-	66,861	45,242
Miscellaneous	32,109	-	32,109	30,086
Santee intermediary	67,646	-	67,646	77,255
Depreciation/amortization	-	40,518	40,518	24,922
Capital outlay	44,727	(44,727)	-	-
Total expenditures/expenses	<u>1,017,858</u>	<u>(4,209)</u>	<u>1,013,649</u>	<u>1,056,494</u>
Excess (deficiency) of revenues over expenditures	<u>24,416</u>	<u>4,209</u>	<u>28,625</u>	<u>72,906</u>
Change in net position	24,416	4,209	28,625	72,906
Fund balances/net position:				
Beginning of the year	<u>441,419</u>	<u>389,225</u>	<u>830,644</u>	<u>757,738</u>
End of the year	<u>\$ 465,835</u>	<u>\$ 393,434</u>	<u>\$ 859,269</u>	<u>\$ 830,644</u>

See accompanying notes to the financial statements.

**North Central District Health Department
GOVERNMENTAL FUNDS BALANCE SHEET/
STATEMENT OF NET POSITION
June 30, 2013**

	<u>General Fund</u>	<u>Adjustments (Note J)</u>	<u>Statement of Net Position 2013</u>	<u>Statement of Net Position 2012</u>
ASSETS				
Cash	\$ 320,662	\$ -	\$ 320,662	\$ 514,278
Certificates of deposit	29,790	-	29,790	29,471
Grant receivables	182,978	-	182,978	51,198
Capital assets net of accumulated depreciation	-	393,433	393,433	389,225
Total assets	<u>\$ 533,430</u>	<u>393,433</u>	<u>926,863</u>	<u>984,172</u>
LIABILITIES				
Accounts payable	\$ 32,912	-	32,912	116,651
Payroll liabilities	3,158	-	3,158	4,615
Accrued payroll	11,012	-	11,012	11,749
Accrued PTO	20,513	-	20,513	20,513
Total liabilities	<u>67,595</u>	<u>-</u>	<u>67,595</u>	<u>153,528</u>
FUND BALANCE/NET POSITION				
Fund Balances:				
Restricted	126,083	(126,083)	-	-
Assigned	47,755	(47,755)	-	-
Unassigned	291,997	(291,997)	-	-
Total fund balances	<u>465,835</u>	<u>(465,835)</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 533,430</u>			
Net position:				
Invested in capital assets, net of related debt		393,433	393,433	389,227
Restricted		126,083	126,083	95,194
Unrestricted		<u>339,752</u>	<u>339,752</u>	<u>346,223</u>
Total net position		<u>\$ 859,268</u>	<u>859,268</u>	<u>830,644</u>
Total liabilities and net position			<u>\$ 926,863</u>	<u>\$ 984,172</u>

See accompanying notes to the financial statements.

North Central District Health Department
STATEMENT OF ASSETS, LIABILITIES, AND NET POSITION--
FIDUCIARY FUNDS
June 30, 2013

	<u>Santee Sioux Nation</u>	<u>Total Fiduciary Funds 2013</u>	<u>Total Fiduciary Funds 2012</u>
ASSETS			
Grants receivable	\$ 68,596	\$ 68,596	\$ 68,374
Total Assets	<u>\$ 68,596</u>	<u>\$ 68,596</u>	<u>\$ 68,374</u>
LIABILITIES			
Due to organizations	\$ 68,596	\$ 68,596	\$ 68,374
Total Liabilities	<u>68,596</u>	<u>68,596</u>	<u>68,374</u>
NET POSITION			
Unreserved			
Designated	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Position	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Net Position	<u>\$ 68,596</u>	<u>\$ 68,596</u>	<u>\$ 68,374</u>

See accompanying notes to the financial statements.

North Central District Health Department
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE A – REPORTING ENTITY

North Central District Health Department, O'Neill, Nebraska is a governmental entity that was created by the Legislature. The Department's main source of income is from Nebraska Health Care Cash Fund as provided by legislative bill 692. The Department files an annual budget to the public and the Department's board members approve this budget. The Department serves Holt, Knox, Brown, Rock, Pierce, Boyd, Keya Paha, Cherry, and Antelope Counties of Nebraska. The Department is controlled and managed by board members who are elected by vote of the Department Board of Directors.

U.S. generally accepted accounting principles require basic financial statements to present the Department (the primary government) and its component units included in their reporting entity because of the significance of their operation or financial relationships with the Department. These basic financial statements present only the Department (the primary government). The Department has no component units, as defined in GASB 14 and amended by GASB 39.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Overview

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Department's accounting policies are described below.

Basis of Presentation

Government-wide financial statements report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental receipts, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Department does not have any business-type activities. Fiduciary funds represent Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement results of operations.

The General Fund is the general operating fund of the Department and accounts for all general revenues and expenditures of the Department. The Fiduciary fund accounts for amounts due to the Santee Sioux Nation, which are passed through the Department from the Nebraska Department of Health and Human Services.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

**North Central District Health Department
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Measurement Focus/Basis of Accounting (cont'd)

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and also use the full accrual basis method of accounting. The governmental fund financial statements use the current financial resources measurement focus and modified accrual basis method of accounting.

Budgetary Data

The Department adopts an annual budget. The annual budget is prepared on the modified accrual basis of accounting. The Board of Health formally approves the budget. All annual appropriations lapse at fiscal year end.

Property and Equipment

Equipment expenditures greater than \$5,000 are capitalized. The basis of valuation of depreciable assets is historical cost. Current year depreciation expense totaling \$32,242 is included in the governmental activities. Depreciation is computed using the straight-line method. Estimated useful lives, in years, are as follows:

Automobiles	5
Computers & Peripheral Equipment	5
Building	39

Equity Classification

Government-wide Statements:

Equity is classified as net position and displayed in two components:

Restricted net position consists of net position with constraints placed on the use either by external groups, such as creditors, grantors, contributors or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

Unrestricted net position do not meet the definition of "restricted".

It is the Department's policy to use restricted net position first, prior to the use of unrestricted net position, when a disbursement is paid for purposes in which both restricted and unrestricted net position are available.

North Central District Health Department
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Fund Financial Statements:

Beginning with fiscal year 2011, the Department implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. In the fund financial statements, governmental funds report the following classifications of fund balance:

- Nonspendable fund balance—amounts that cannot be spent because they are either not in a spendable form (such as inventory and prepaid amounts) or are legally or contractually required to be maintained intact.
- Restricted fund balance—amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the Department itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the Department takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the Department intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose; these amounts can be reported only in the Department's General Fund. All amounts reported must be positive.

Beginning fund balances for the Department's governmental funds have been restated to reflect the above classifications.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Department considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Department considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Directors or Executive Director has provided otherwise in its(his) commitment or assignment actions.

Fund balances, as of June 30, 2013, are shown in Note E.

Pervasiveness of Estimates

The preparation of financial statements required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

North Central District Health Department
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Advertising Expenses

The Department expenses advertising costs as they are incurred. Advertising expenses for the year ended June 30, 2013 were \$49,979.

Subsequent Events

In the normal course of preparing the Government's financial statements, management reviews events that occur after the statement of financial position date June 30, 2013 for potential recognition or disclosure in the financial statements. Management has evaluated subsequent events through December 12, 2012, which is the date the financial statements were available to be issued.

NOTE C – CASH AND INVESTMENTS

Cash for the department at June 30, 2013 consisted of the following:

	<u>2013</u>
BankFirst Bank, O'Neill, NE	
Checking	\$ 87,021
Pinnacle Bank, O'Neill, NE	
Savings	233,642
CD	<u>29,790</u>
	<u>\$ 350,452</u>

At June 30, 2013 the Department had bank deposits of \$420,365. Of that amount, all was covered by federal depository insurance and/or collateralized by U.S. Government securities subject to joint custody safe keeping receipts issued by the custodial financial institution, which was not the pledging institution.

NOTE D – FIXED ASSETS

A summary of changes in general fixed assets for the year ended June 30, 2013 follows:

	<u>Vehicles</u>	<u>Equipment</u>	<u>Software</u>	<u>Building</u>	<u>Accumulated Amortization/ Depreciation</u>	<u>Totals</u>
Balances June 30, 2012	\$ 18,420	\$101,105	\$ 39,995	\$ 340,020	\$ (110,315)	\$ 389,225
Additions	23,956	15,229	5,542	-	(40,518)	4,209
Deletions	-	-	-	-	-	-
Balances June 30, 2013	<u>\$ 42,376</u>	<u>\$116,334</u>	<u>\$ 45,537</u>	<u>\$ 340,020</u>	<u>\$ (150,833)</u>	<u>\$ 393,434</u>

North Central District Health Department
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE E - FUND BALANCES

The following schedule reflects all Fund Balances as presented in the Governmental Funds Balance Sheet/Statement of Net Assets:

	<u>General Fund</u> <u>2013</u>
Fund Balances:	
Restricted for:	
Emergency Preparedness	\$ 63,345
ID Badging	3,812
RRORMS Fiscal Agent	28,699
West Nile Virus	707
Out Patient Surveillance	5,000
Healthy Communities	5,746
Cancer	18,456
Santee	320
Total Restricted	<u>126,084</u>
Assigned to:	
General Government	16,062
RRORMS GIS	13,094
RRORMS Vulnerable	917
Indoor Air	2,295
SPF SIG	9,551
Tobacco Intervention	3,934
Medicaid	1,153
ARF	750
Total Assigned	<u>47,755</u>
Unassigned:	<u>291,997</u>
Total Fund Balances	<u><u>\$ 465,835</u></u>

North Central District Health Department
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE F – LEASES & COMMITMENTS

On May 26, 2011 the Department entered into an operating lease agreement with DakotaOne Business Machine Leasing for two copiers. The term of the lease is for 60 months and a monthly payment of \$350. The total amount paid for the year ended June 30, 2013 was \$4,200.

Required payments due in:

One year or less	\$ 4,200
Two years	4,200
Three years	3,500
Total Amount Due:	<u>\$ 11,900</u>

NOTE G – COMPANY BENEFITS

Cafeteria Plan Description

The Department contributes 18% of an employee's gross salary or yearly income to a cafeteria plan. Employees use this for contributions to a 457b plan and/or for health insurance in whatever mix they choose. The Department does not provide a company match to contributions to the 457b plan.

NOTE H – RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year, the Department carried commercial insurance for general liability and worker's compensation coverage. There have been no significant reductions in insurance coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past two fiscal years.

NOTE I – RELATED PARTIES

The Department has a contract with one of the board of health members, to provide services as a contracted State Licensed Dental Hygienist with Public Health Authorization to provide preventative oral health services. The Contractor shall be reimbursed for all allowable expenses agreed upon by the parties not to exceed the sum of \$4,320 during the contracted period. During the year ended June 30, 2013, North Central District Health Department had expenses relating to this contract in the amount of \$120.

North Central District Health Department
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

**NOTE J – EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENT FUNDS
BALANCE SHEET AND THE STATEMENT OF NET POSITION**

Total fund balances of the Department's governmental funds \$465,835 differs from "net position" of governmental activities \$859,269 reported in the statement of net position. This difference results from the long-term economic focus of the statement of net position verses the current financial resources focus of the governmental fund balance sheet.

When capital assets (equipment, vehicles) that are to be used in governmental activities are purchased, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the Department.

Cost of capital assets	\$ 544,267
Accumulated depreciation/amorization	<u>(150,833)</u>
Total	<u>\$ 393,434</u>

**NOTE K – EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUNDS
OPERATING STATEMENTS AND THE STATEMENT OF ACTIVITIES**

The "excess (deficiency) of revenues over expenditures" of \$24,416 differs from the "change in net position" for governmental activities of \$28,625. The differences arise from the long-term economic focus of the statement of activities versus the current financial focus of the governmental funds. The effect of the difference is explained below.

When capital assets that are to be used in governmental activities are purchased, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year.

Capital Outlay	\$ 44,727
Depreciation expense	<u>(40,518)</u>
Difference	<u>\$ 4,209</u>

REQUIRED SUPPLEMENTARY INFORMATION

North Central District Health Department
BUDGETARY COMPARISON SCHEDULE
For the year ended June 30, 2013

	Original & Final Budget	Actual Amounts (Budgetary Basis) (See Note L)
Resources (inflows):		
Operating grants	\$ 1,002,495	\$ 891,811
Interest income	1,000	812
Miscellaneous income	5,000	17,871
Total	<u>1,008,495</u>	<u>910,494</u>
Charges to appropriations (outflows):	<u>1,033,488</u>	<u>1,103,791</u>
Total	<u>1,033,488</u>	<u>1,103,791</u>
Excess (deficiency) of inflows over outflows	(24,993)	(193,297)
Budgetary fund balances:		
June 30, 2012	<u>24,993</u>	<u>543,749</u>
June 30, 2013	\$ <u><u>(0)</u></u>	\$ <u><u>350,452</u></u>

See accompanying notes to the required supplementary information.

North Central District Health Department
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2013

NOTE L – BUDGETARY COMPARISON SCHEDULE

Basis of Presentation

The accompanying budgetary comparison schedule is presented on the cash basis method of accounting. This basis is not consistent with the basis of accounting used in presenting the basic financial statements. The accompanying schedule provides actual amounts on the budgetary basis (cash basis). The accrual to cash adjustment to the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities is as follows:

Net change in net position	\$ 28,625
Increase/ (Decrease) in:	
Accrued expenses	(83,742)
Salaries & payroll expenses	(2,192)
Capital assets, net of depreciation	(4,209)
Grant/contract income	<u>(131,780)</u>
Excess (deficiency) of inflows over outflows	<u>\$ (193,298)</u>

NOTE M – EXPENDITURES IN EXCESS OF BUDGET APPROPRIATION

Actual expenditures exceeded budgeted appropriations by \$70,303. This was due to the District taken over as manager of the RROMRS program.

OTHER SUPPLEMENTARY INFORMATION

**North Central District Health Department
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013**

<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Passed Through to Sub- Recipients</u>
U.S. Department of Health and Human Services				
Passed through State Department of Health and Human Services:				
State Indoor Radon Grant	66.032	K1-00739922-0	\$ 3,000	\$ -
Public Health Preparedness and Response to Bioterrorism	* 93.069	1U90TP000533-01	97,620	-
Rural Vulnerable Populations GIS	* 93.069		338	-
Nebraska Colon Cancer Program	93.135	5U58DP002043-02	8,758	-
Strategic Prevention Framework State Incentive Grant (SPF SIG)	93.243	5U79SP013937-05	80,741	-
Epidemiology and Laboratory Capacity for Infectious Diseases	93.283	3U50CI000921-0253	4,428	-
State Heart Disease and Stroke Prevention Programs--Nutrition, Physical Activity & Obesity Program	93.283 / 93.991		1,235	-
Healthy Communities	93.991	B01DP009036-10/11	31,664	-
Strengthening Public Health Infrastructure for Improved Health Outcomes	93.507	5U58CD001310-02	10,000	-
PHONE	93.778		45,926	-
Rural Region One Medical Response System (RROMRS)	* 93.889	1U90TP000533.01	166,333	-
Passed through State Department of Health and Human Services and Region IV Behavioral Health System:				
Prevention Services	93.959		66,355	
Mini-grants	93.959		6,943	-
			<u>\$ 523,341</u>	<u>\$ -</u>

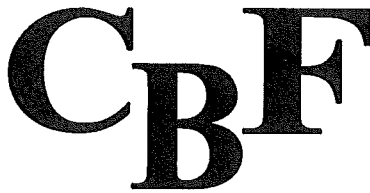
* denotes major program

**North Central District Health Department
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION
June 30, 2013**

NOTE N – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying schedule of expenditures of federal awards is presented on the accrual basis method of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
North Central District Health Department
422 East Douglas Street
O'Neill, Nebraska 68763

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of North Central District Health Department as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements and have issued our report thereon dated December 3, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Department's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency identified as B-1, described in the accompanying schedule of findings and questioned costs, to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Actual expenditures exceeded budgeted appropriations (Note M).

North Central District Health Department's Response to Findings

North Central District Health Department's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Department's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

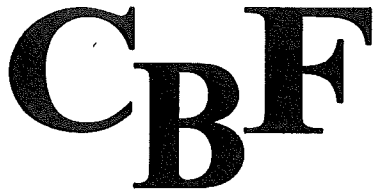
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CBF PC

CHRISTENSEN BROZEK FALTYS PC
Certified Public Accountants

December 3, 2013



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

Board of Directors
North Central District Health Department
422 East Douglas Street
O'Neill, Nebraska 68763

Report on Compliance for Each Major Federal Program

We have audited North Central District Health Department's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of North Central District Health Department's major federal programs for the year ended June 30, 2013. North Central District Health Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of North Central District Health Department's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about North Central District Health Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of North Central District Health Department's compliances.

Opinion on Each Major Federal Program

In our opinion, North Central District Health Department complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of North Central District Health Department is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered North Central District Health Department's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of North Central District Health Department's internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

CBF PC

CHRISTENSEN BROZEK FALTYS PC
Certified Public Accountants

December 3, 2013

North Central District Health Department
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2013

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of North Central District Health Department (the Department).
2. One significant deficiency relating to the audit of the financial statements is reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. This deficiency is reported as a material weakness.
3. No instances of noncompliance material to the financial statements of the Department were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the Department expresses an unmodified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in Part C of this schedule.
7. The programs tested as major programs included:
 - U.S. Dept. of Health and Human Services, Rural Region One Medical Response System (RRORMS), CFDA #93.889
 - U.S. Dept. of Health and Human Services, Public Health Preparedness and Response to Bioterrorism, CFDA #93.069
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Department did not qualify as a low-risk auditee.

B. FINDINGS--FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESS

B-1 Preparation of Audit Report

1. Condition: The job description for the Department's accounting personnel does not require that they have the knowledge and training to prepare the financial statements and related note disclosures required by GASB No. 34 "Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments."
2. Criteria: Internal controls should be in place that provide reasonable assurance that the Department's personnel have the knowledge and training to prepare the financial statements and related note disclosures required by GASB No. 34 "Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments."

**North Central District Health Department
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2013**

3. Cause: The cost of hiring qualified personnel outweighs the benefits.
4. Effect: The Department relies on their auditor for assistance in preparing the financial statements and related note disclosures required by the accrual method of accounting according to the provisions of GASB No. 34 "Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments."
5. Recommendation: The Department should continue to rely on the auditor for assistance in preparing the financial statements and related note disclosures due to the cost of hiring qualified personnel.
6. Response: The Department will continue to rely on their auditor for assistance due to the cost of hiring qualified personnel.

C. FINDINGS AND QUESTIONED COSTS--MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

**North Central District Health Department
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2013**

During our audit, we noted that there were no findings and questioned costs applicable to a prior year that needed to have corrective action.